

[Chris Garofolo, Brattleboro Reformer](#)

U.S. Rep. Peter Welch is among the House leaders on Capitol Hill calling for stronger protection against the credit and debit card swipe fees for small businesses.

The pressure on credit card companies in Washington, D.C., comes at the same time Vermont officials marked the passage of a first-in-the-nation law prohibiting abusive practices by the industry. Supporters of the credit card reform vote in Washington are confident they will have a similar victory this week.

Welch joined a bipartisan coalition of lawmakers pushing for better safeguards on the credit charges for retailers. The Vermont Democrat co-sponsored the amendment with Sen. Richard Durbin, D-Ill., as part of the financial overhaul legislation on Monday.

Senators approved the amendment 64-33 last month. The House is expected to vote on the amendment by the end of the week.

During a speech on Tuesday in Burlington, he said there is no cap on the credit rates to protect small business owners around the country.

"Our merchants pay the highest pay-swipe in the world, it's a \$50 billion industry," he said. These punishing costs for small businesses are oftentimes larger than health care or rent expenses, and that extra money is passed onto the customer, he added.

"Year after year, the credit card industry extracts billions of dollars from small businesses around the country. Using their monopoly power, Visa and MasterCard run up prices

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every time a credit or debit card is swiped, leaving small businesses and consumers to pay the price. We must continue to fight the credit card industry lobbyists who are trying to water down

the bill, so that we can finally give small businesses and consumers a fair deal."

House leaders reached a compromise to keep much of the Senate language, but the new version will address concerns of a complete takeover of the industry. Government-issued prepaid cards and the commercial, reloadable cards are exempt under the compromise as well.

Rep. Bill Shuster, a Pennsylvania Republican, said the amendment gives Federal Reserve officials the power to review and police the credit rates, but not to set them.

"The amendment simply creates a level playing field for banks and small businesses to negotiate interchange fees like any other business contract," said Shuster on Wednesday.

Earlier in the week, Welch met with Vermont business owners urging the passage of his amendment to the financial regulatory reform bill. This legislation is a breakthrough for Vermont merchants, he said.

"Whether in a red district or a blue district, we have small businesses getting hammered."

Scott Falzo can relate.

Every week at the Rockingham Shell gas station he owns, Falzo pays roughly \$1,000 in credit card fees. Each swipe costs him 25 cents, in addition to a 2.8 percent transaction fee regardless of the purchase price.

"These credit card fees, they outpace my payroll in this business," said Falzo. "We have no way to negotiate with the credit card companies. They pretty much tell you this is how its going to be and we have no say in it."

Ralph Ellis, owner of The Shoe Tree on Main Street in Brattleboro, said the rate will differ from one company to the next depending on the special features attached to the credit card.

While regular cards have lower rates, some of them that include consumer-based airline miles or cash-back programs "comes right out of our pocket, basically," said Ellis. "If rates go down, the less we have to pay out and it's more profit for us."

Roughly 75 percent of the business transactions at Ellis' retail shop are on credit cards. Falzo said more than 80 percent of his customers are now paying with cards.

And more people are living on plastic during the recession, putting a greater burden on small businesses. Both Ellis and Falzo said it is cheaper just to hand over a \$3 item rather than face penalties on a debit card transaction.

"A lot of people don't realize there are fees out there for us," said Falzo.

To assist Vermont merchants reel in the industry's exploits, the state Legislature unanimously passed a bill to establish a \$10 minimum purchase for credit card use without facing a fine.

Kathy Miller, who owns an Elmore shop with her husband, has supported credit card legislation for years. Welch invited her to testify in Washington last year on the matter.

"The passage of this Vermont legislation will definitely help small stores like ours and is an important first step in the fight for reasonable and fair transaction fees to storekeepers and our consumers," said Miller.

The new law, scheduled to take effect in January 2011, also allows merchants in Green Mountain State to offer discounts for cash or checks instead of credit. The measure also gives them the right to determine which business locations will (or will not) accept credit and debit cards without penalty from the industry.

